

China's One Belt One Road: Implications on Indian Economy

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Abstract

The oldest recorded transcontinental trade link, the "ancient silk route" had been a major land bridge between the east and the west for over twenty centuries. This route was a major link not only for trade but also for cultural exchange, the transmission of art, religion, and people-to-people contacts. However, with the disintegrations of empires particularly the Mongol empire in the 14th century and changing political conditions in the countries along the silk route, trade through this route suffered and was replaced by vessel shipping and cargo flights which shifted the trade from the silk route to another surface, sea and air routes. In modern times, keeping its economic conditions in mind and searching for easy and cheaper routes to markets of developing and developed countries, China took the initiative for the revival of the silk route. This route offers a link between China and Europe through Central Asia and Russia potentially complementing the shipping routes and offers a new opportunity for the development and integration of linked economies. This paper attempts to explore the connectivity advancements via silk roads intended to facilitate the regional and long-distance trade from China to Europe and the possible economic opportunities for India to join the initiative.

Keywords

OBOR, CPEC, Silk Route, Maritime Silk Road, New Silk Route, Connectivity

Introduction

It was German geographer Ferdinand von Richthofen who coined the term "Silk Rote" in 1877 while referring to an ancient truck road crossing Central Asia, which is believed to be the first Trans-Continental trade and diplomatic road in the history of mankind connecting China and the Far East with Europe and India passed through Central Asia covering 6400 km (Foltz, 1999). This network of roads followed the wide and varied links between the people of Mediterranean countries, Middle East, Central Asia, Indian subcontinent, and East Asia. Silk Route included the famously called "Oasis Route"¹- linking the caravan cities in the desert and semi-desert areas of Central Asia; the "Steppe Route"²- the commercial route controlled by the nomadic tribes who lived in the Eurasian Steppe region extending to the north of the Oasis Route; and the "Southern Sea Route", which linked the China Sea, Indian Ocean, Arabian Sea, Red Sea, and Mediterranean Sea (Andrea, 2014). The division of the Mongol empire weakened the political, cultural, and economic unity of the silk route. With the fall of the Mongol empire, great political powers

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along the silk route became economically and culturally separated (Richard, 2002). The emergence of Ottoman and Safavid empires in West Asia led to a revival of overland trade, which was often interrupted by warfare between them. The route continued to flourish until the collapse of the Safavid Empire in the 1720s (Faroqi, 1993).

In modern times due to the wave of globalization and increased trade relations between countries, there has been an increase in interest in the Silk Road. With the collapse of the Soviet Union in 1990s, the barriers have been brought down that were instrumental in blocking Central Eurasia from other economies of the world. After gaining independence these Central Asian states made huge efforts to create more and more trans-regional ties linking them to East Asia, South East Asia, South Asia, and the Middle East. The revival of the old silk route for these regions and countries presents new opportunities for access to new markets, sources of energy, and diplomatic ties with other countries of the world. In modern times the most instrumental initiative has been taken by China to revive the silk route from Central Asia to Germany through an overland corridor and maritime route from Guangzhou through Suez Canal to Venice which is estimated to cost around USD 40 billion. Other than China, many countries including the USA and Japan have taken initiative for the same cause.

Trade along the Silk Route

The Silk Route did not exist for the sole purpose of trading silk. Although silk was most remarkable for western traders, it was one of many items that were traded throughout the history of the Silk Road. Gold, precious stones and metals, ivory, and glass went towards China; while furs, ceramics, gun powder, jade bronze objects, lacquer, and iron went West (Boulnois, 1963) However, apart from silk, China also exported ivory and precious stones, textiles and furs, ceramics and lacquer, cinnamon bark and variety of other spices (Freedom, 2011). These goods were bartered or sold in various oases on the way in Central Asian cities like Samarkand and Bukhara on Parthian and then in the Mediterranean lands. These goods were eventually shipped to Rome and Alexandria. The Parthians, Kushans as well as Central Asian traders played the role of middlemen and reaped profits on this two-way traffic. The returning caravans brought mainly gold from the Greek and Roman Empires, jewels and pearls from India, horses, and rubies from Badakhshan. Trade along the silk route has been pivotal in playing an important role in the emergence of the civilization of China, Arabia, the Indian subcontinent, Northern Africa, Persia, and Europe.

India's Association with Silk Route

India imported both silk textile and yarn from China and controlled part of the silk trade between China and Byzantium along this route. Before the Byzantine acquired the knowledge of sericulture, their silk industry was heavily dependent on the Chinese yarn, which they obtained through the Persians. The Persians, in turn, bought silk yarn from Central Asia and India (Maity, 1957).

Review of Literature

Silk route not only allowed merchandise trade through it, but individuals were

able to make the entire journey from Europe to China and home again without fear of robbery, harassment, or capture (Brugier, 2014). In contemporary times, the Silk route occupies much of the discourse on globalization, international and regional cooperation, and world trade (Kalra, 2018). In direction of reorganization of the silk route, a growing interest is seen in the partnership in tourism development with the belief at the backdrop that tourist destination areas and organizations may be able to gain competitive advantage by bringing together knowledge, expertise, capital, and other resources of several stakeholders (Bramwell & Lane, 2003). Furthermore, the interdependence of economies, services, transportation, information, and promotion highlights the need for cooperation and collaboration and it is evident that companies located in a destination have a lot to gain from being located nearby (Nordin, 2003). Presently, when China is vigorously promoting its “One belt, One Road” (OBOR) initiative, a 21st century avatar of Silk Road is rapidly coming into being as a result of a well-planned Chinese strategy. This is seen as a means to bring boons to China and adjoining economies (Frankopan, 2018). Looking at these developments, the present study attempts to provide a framework for the reorganization of the old silk route and possible implications on the Indian economy. The objectives of the study are enlisted as:-

- Reflect upon the revival of the silk route
- Highlight the dynamic implications of the revival of the silk route on the Indian economy.

To fulfill the above-mentioned objectives, the present study is based on the information collected from secondary sources like journals, books and magazines.

Rediscovery of Silk Route

A significant chapter in the narrative of silk routes is the story of their rediscovery in modern times. Apart from the overland old silk route, Arabs, Persians, Indians, Chinese, and Southeast Asian traders have been, for several thousand years, cruising and trading in EastChina and South China Sea, Indian Ocean, Arabian Sea, and the Persian Gulf; generally known as Indo-Pacific which is also termed as Ancient Maritime Silk Road (Koh, 2015). With initiatives taken by the countries along the Silk Road (Including China, Kazakhstan, Iran, Kyrgyzstan, Uzbekistan, Turkey, India, and Russia) to reorganize the silk route, revamped route pledges to offer trade and cultural interchange opportunities with the potential to shape the modern world. Recognizing the fact that China has 14 maritime and eight land-based neighbors, apparently taking cues from the concepts of cooperative strategy, and in October 2013, President of China Xi Jinping initiated the proposal of building the 21st century MSR (maritime silk route) during his address to the parliament of Indonesia (Brugier, 2014).

In the 21st century, MSR is seen as a complement to diverse overland Silk Routes, such as those to Nepal, Pakistan, Myanmar, India, Central Asia, and even up to Germany, would offer better connectivity in different modes and dimensions. This grandiose project potentially involves an area that covers 55 percent of world GNP, 70 percent of the global population, and 75 percent of known energy reserves (Godement, 2015). All the possible routes put together, called “One Belt, One Road”, (Cheng, 2015) encompassing two routes; the land route called “the silk road economic belt”, linking Central Asia, Russia,

and Europe, and sea route called “the 21st century maritime silk route”, going through Western Pacific and Indian Ocean (Confederation of Indian Industry, 2011). According to the project, “one belt, land-based new silk route will begin in Xian in Central China before stretching west through Lanzhou” (Gansu province) (Xu, 2000) Urumqi (Xinjiang), and Khorgas (Xinjiang), which is near the border with Kazakhstan, then running southwest from Central Asia to Northern Iran to Syria, Turkey and finally to North-Western Europe, where it meets up with equally ambitious Maritime Silk Road which will begin in Quanzhou in Fujian province, also hit Guangzhou (Guangdong province), Beihai (Guangxi), and Haikou (Hainan) before heading south to Malacca Strait. From Kuala Lumpur, Maritime silk route heads to Kolkata (India), then cross rest of Indian Ocean to Nairobi Kenya to the home of Africa and move through the Red Sea into the Mediterranean and meets land-based Silk Road. The new silk route particularly MSR is expected to boost China's cooperation with countries along the road, improve mutual trust and create a win-win situation. The MSR is not just a road for China, but the whole of Asia and Africa. Many scholars term this new route as 'Civilization Road', 'Economic and Trade Road' and 'Tourism Road' of Asian countries. China along this new route needs to connect with people of Asian-African countries of the West Pacific and the Indian Ocean to enlarge the industrial chain, guarantee maritime security passage, and deal with maritime non-traditional security.

The project is formulated to amplify expectedly five connections, involving trade, infrastructure, investment, capital, and people. Over the long run, it is likely to create a community with a shared interest, destiny, and responsibilities. It can, therefore, be summarized that MSR is an economic initiative, at least to start with (Magnus, 2015) which aims at building an open-minded, comprehensive, balanced and inclusive regional economic cooperation framework.



Sources: Xinhua, UNESCO

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Implications of New Silk Route on Indian Economy

China is attempting to rope India into its connectivity strategies through proposals such as the Bangladesh-China-India-Myanmar (BCIM) corridor linking Yunnan province of China with India's northeast (EEAS). The corridor covers an estimated population of 440 million in Yunnan province of China, Myanmar, Bangladesh, and Bihar in northern India. This corridor is a combination of road, rail, water, and air linkages which would facilitate the cross-border flow of goods and people, minimize trade obstacles, and ensure greater market access which would increase trade between involved countries (Baffa, 2013). This corridor intends to integrate the sub-region that would be instrumental in enabling the integration of Asia and other border regions by focusing on the agenda of TTE (Trade, Transport, and Energy). The idea of multi-modal transportation has been also added to this corridor with a focus on inland water transportation and the promotion of port development and coastal shipping (Sakhuja, 2015a). Though India is the main player and claims to be the net provider of security in the Indian Ocean (Kumar, 2013), there are many reservations in the country regarding these initiatives of connectivity as there are chances of Chinese domination, and countries involved may get caught in a debt trap. India on its own is trying to promote east-west connectivity through Myanmar, Thailand, and on to Vietnam to balance China's north-south connectivity to south-east Asia (Sakhuja, 2015b). During October 2014, seemingly a part of the Maritime Silk Road project, China was invited to take over the management of the new segment of Hambantota Port in Sri Lanka, built with his financial assistance, which may incorporate berths devoted for Chinese use which escalates speculation that the country wants to sustain a kind of military presence in the Indian ocean, and Sri Lanka may contribute in its effort (Brewster, 2014). On the other hand, in March 2015, India announced the establishment of a new security arrangement with the island states of Sri Lanka, Maldives, Seychelles, and Mauritius (Brewster, 2015). What is captivating and fascinating to the Indians is that China is hunting for port access agreements with countries in the Bay of Bengal or the Indian Ocean. It has already done so with three of the ports of Malaysia along the Strait of Malacca, which is instrumental in triggering India's apprehension about Chinese military objectives seemingly disguised under such projects. The proposed Thai canal is also known as the Kra canal project in Thailand connecting the Gulf of Thailand with the Andaman Sea across southern Thailand and Iran's invitation to China to assist develop the Jask Port, overlooking the Arabian Sea are the other such cases. With Pakistan and Iranian navies already present in the southwestern part of the Indian Ocean, India seems concerned about the Jask Port being used as a forward support facility for the PLA (People's Liberation Army) navy in the event of hostilities in the Persian Gulf or the Indian Ocean (Sakhuja, 2015c). India was perhaps the most prominent and critical factor for the success of the ancient silk route, owing to the rich civilization, proximity to China, and a geographical link to the east (UNCTAD, 2009).

In contemporary times, India is a fast emerging biggest market, a powerful democracy to take on board, and is placed geographically in a strategic position which makes it important for China to take it into confidence to join its new initiative of the silk route. India falls in the MSR branch of this initiative, hence the implications on the Indian economy will be discussed vis- a- viz the MSR.

Positive Implications

- 1) India's own 'Sagarmala'³ the project which is envisaged to leverage the country's coastline and inland waterways to boost up the industrial development can be integrated with the Maritime silk route and hence contribute to the nation's attempts to enhance the sea trade connectivity, while also progressively leading to the port-led development of the hinterland and Special Economic Zones.
- 2) To address economic slowdown, China is offering outsourcing options to its silk route partners, which gives a comparative edge to India given its low cost of labor and raw material and hence a chance to strengthen its manufacturing base, propagate its "Make in India" campaign and generate employment opportunities.
- 3) While recognizing the fact that China's manufacturing capacity is at least two decades ahead of India, engaging in OBOR initiative, Indian industries could "leap forward" in the same way, South East Asian nations did in the 1980s on the back of outsourcing.
- 4) The maritime silk route could effectively supplement the land-based Bangladesh-China-India-Myanmar (BCIM) economic corridor under active consideration of India.
- 5) Engaging in this initiative to re-organize the silk route, India is more likely to reap the indirect boons since China is willing to link the "belt and road" initiatives with India's 'Spice Route' which would link up historic sea routes in Asia, Europe, and Africa and 'Mausam projects' envisaging re-establishment of India's ancient maritime routes with its traditional trade partners along Indian ocean.
- 6) India's participation in the Silk Road project and increased Chinese investment projects would be instrumental in easing out the trade deficit.
India could also be able to get access to various routes and thus economic interaction with other countries would increase.

Negative Implications

- 1) Amongst the high unpredictability about how the Maritime Silk Route would be executed, along with the apprehensions as to whether it will have a geo-economic argument or a security orientation, India may fall into the Chinese trap by joining it, thereby surrendering a good deal of its economic liberty to China.
- 2) Experts are concerned about the fact that the new silk route may be nothing but an economic disguise for the 'string of pearls'⁴ theory, which concerns the build-up of Chinese commercial and military facilities, and relationships in the Indian ocean, Hambantota port, and Gwadar.
- 3) Other than the threat of Chinese intention of encircling India through "pearl of strings", the country would be able to get direct access to the Arabian sea through Pakistan which mainly passes through Pakistan held Kashmir, thus providing easy logistic facilities to the army of these countries in case of any conflict.
- 4) New silk route initiative particularly MSR would significantly bring more South and Southeast Asian economies under China's sphere of influence, which may lead to serious complications to India's traditional conception of the subcontinent as its advantaged sphere of influence.
- 5) If India chooses to stay out of this initiative, India's industrial growth would lag

behind its Asian neighbors, most of which are China's acknowledged MSR partners, thereby adversely affecting the economic growth and development plans of India.

- 6) Engaging in the MSR initiative, India may face enhanced dumping of goods in its markets due to new production units in the western region of China and greater accessibility in the Indian market.
- 7) It is a serious matter of concern for India since this project would increase China's influence over Indian neighbors like Bangladesh, Nepal, Myanmar, and Bhutan.

Conclusion

This ambitious project that China has embarked upon, may seemingly not have smooth sailing and is quite likely to face difficulties from its geopolitical and economic ambitions as well. While recognizing the historical importance of this route India must put in plentiful thoughts before joining the new silk route. India is situated at such a prominent location that it can't miss out on the opportunities to be part of this initiative. The new silk Route will be passing through the close vicinity of India and it is beneficial for the country to join the initiative to reap the benefits of increasing regional connectivity. Moreover, the aspirations of India to attract Chinese investments can also be fulfilled which would also be helpful to develop its northeast states and take forward its Act East policy of prioritizing relations with East Asia. It is in the interest of India to follow a two-way strategy- First to intensify its economic connections and draw China into major infrastructural investments in the country. Second, to safeguard from negative implications of the maritime silk route, India should invest in neighboring countries like Bangladesh, Myanmar, and Sri Lanka exactly in those capacities in which China is planning and increase its presence in these countries. With the help of these initiatives, Indian investment in neighboring countries could help in reducing China's sphere of influence and dominance in South Asia to some extent. In the process of achieving the objective of new economic heights, India must not lose sight of the potential repercussions like dumping, massive trade deficit, security concerns, Chinese hegemony, and dominance, etc. More than anything, if India refuses to be a part of the initiative, it may stand isolated. Thus policymakers should formulate policy in such a manner that may help India not only to preserve its role in the present world economy but also help in the sustainable development of the country. Engaging in the new silk route is the opportunity that may be beneficial for trade and regional integration in many ways, on which India cannot take a reserved stand but needs to proactively shape the discourse.

Notes

1. 'Oasis Silk Road' refers to the portion of the trade route networks in northwest China linking Chinese inland to Central Asia. It is the most commonly known land route in the entire grand network of the Silk Road.
2. The land route which links central China to Europe through the vast regions of the Eurasian steppe was named as steppe Silk Road. This route consists of the whole network of land routes which fall into two main lines, southern and northern lines connecting central China to the steppe and then to the west.

3. It is an initiative by the government of India to set up new ports, modernize existing ports, development of coastal employment zones and coastal employment units to enhance port connectivity via roads, railways, pipelines and waterways, and multi-modal logistic facilities to enhance trade and generate employment opportunities in the country.
4. A string of pearls refers to military and commercial facilities of china along sea lines of communication that extend from the mainland of China to Port Sudan in the horn of Africa. The sea lines run through many maritime chokepoints such as the Strait of Mandeb, Strait of Malacca, Strait of Hormuz, and other strategic maritime centers in Pakistan, Bangladesh, Sri Lanka, Maldives, and Somalia.

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